

HEALTH SERVICES AND DEVELOPMENT AGENCY
MINUTES
February 23, 2011

AGENCY MEMBERS PRESENT

Koella, Carl, III, Chair
Handorf, Charles, M.D., Vice Chair
Lammert, Gregory
Burns, Charlotte
Johnson, D. Lynn
Jones, Clark
Southwick, William
Wright, James
Gaither, Keith, designee for the TennCare Director
Jordan, Lisa, designee for the Commissioner of Commerce and Insurance
Weaver, Faye, designee for the Comptroller of the Treasury

AGENCY STAFF PRESENT

Hill, Melanie, Executive Director
Bobbitt, Melissa, Administrative Services Assistant III
Christoffersen, Jim, General Counsel
Craighead, Alecia, Statistical Analyst III
Farber, Mark, Assistant Executive Director
Wells, Phil, Health Planner III

COURT REPORTER

Ed Kidd

GUESTS PRESENT

Baker, E. Graham, Esq.
Barnett, Branai
Centuso, Paul, CMO, Heritage Medical Associates
Corritore, Danell, Director, Division of Health Statistics, Tennessee Department of Health
Couch, Bobby, CEO, Medical Center of Manchester
Duncan, Bruce, Vice President, National HealthCare Corporation
Elrod, Dan H., Esq., Miller & Martin
Ewing, David S., Esq.
Felts, Ginna, Planning Associate, Strategy Development, Vanderbilt University Medical Center
Gattuso, Frank, Executive Director, Ave Maria Home
Grasela, Mark, CEO, Heritage Medical Associates
Hill, Ronald, Vice President, Strategic Development, Vanderbilt University Medical Center
Moor, Morgan, M.D./CEO, New Life Surgery Center

Moor, Steve, Business Operations, New Life Physicians
Murray, Pam
Ockerman, Jeff, Director, Health Planning, Tennessee Department of Finance & Administration
Radicic, Keith, CEO, Radiology Alliance, PC
Reed, Ann R., RN, BSN, MBA, Director of Licensure, Tennessee Department of Health
Tally, Sarah Lodge, Esq., Miller & Martin
Taylor, Jerry W., Esq., Farris, Mathews, Bobango, PLC
Totty, Terry, D.C., MUA of Middle Tennessee, LLC
Trauger, Byron R., Esq., Trauger & Tuke
Turk, Alan, Board of Directors, Tennessee Spine & Nerve Institute
Turner, Shelly, CCSO, Medical Center of Manchester
Wojincki, Walter, Vice President, Radiology Alliance, P.C.

Chairman Koella, called the meeting to order at 8:30 a.m. in the Main Auditorium, AT&T Tower, Nashville, Tennessee.

DIRECTOR'S ANNOUNCEMENTS

Melanie Hill, Executive Director, made general announcements. Ms. Hill stated that five (5) applications will be presented at the March meeting; April and May meetings will have three (3) applications each; March through June meetings will be held at the AT&T Tower; and the July through December meetings will be held at the Legislative Plaza depending upon when the Legislature adjourns. A brief Legislative update will be given at the end of today's agenda.

OTHER BUSINESS

- 1) State Health Plan . Jeff Ockerman, Director, Division of Health Planning, Finance & Administration discussed the status of the state health plan.

CONSENT CALENDAR

Melanie Hill summarized the following Consent Calendar applications:

Vanderbilt Health Services dba Vanderbilt Maury Radiation Oncology LLC - (Spring Hill, Maury County) - Project No. CN1012-053

The relocation of a proposed health care facility in the previously approved but unimplemented Certificate of Need, CN0804-024A. The application is for the establishment of an ambulatory surgical treatment center (ASTC), single specialty, limited to the initiation of megavoltage radiation therapy services. The proposed facility is to be located at the intersection of Saturn Parkway and Port Royal Road, south of Reserve Boulevard, Spring Hill (Maury County), TN. The project is for construction of a new freestanding facility and purchase of major medical equipment including the acquisition of a linear accelerator with Intensity Modulated Radiation Therapy (IMRT) capabilities and a computerized tomographic (CT) simulation scanner. Project Cost \$7,980,617.00.

Dan H. Elrod, Esq., representing the applicant, was present to address the Agency. Present on behalf of the project were: Ronald W. Hill, Vice President, Strategic Development; and Ginna Felts, Planning Associate, Strategy Development, Vanderbilt University Medical Center.

Dr. Handorf moved for approval of the project based on Ms. Hill's presentation: 1) Need . The need for the project was determined at the July 23, 2008 Agency meeting and further proven by the extension granted at the August 25, 2010 Agency meeting. The need to relocate the project from the previously approved

site which was part of a business park which has not developed as anticipated to a site which is in close proximity to a medical office development by Maury Regional Hospital has been established. The relocation is eight tenths of a mile from the original location. As part of the medical office park being developed by Maury Regional Hospital which is proposed to be a future joint venture partner, this location should be more suitable for the patients that will utilize the facility and equipment because it provides easier access to other medical services than the business park did; 2) Financial Feasibility . The project is feasible through cash reserves of Vanderbilt University Medical Center. A positive cash flow is projected in year one; and 3) Contribution to the Orderly Development of Healthcare is met. The existing linear accelerators at Maury Regional are well-utilized. This project will locate a National Cancer Institute affiliated center in a local community and will have an open staff model that will permit local physicians affiliated with Maury Regional to staff the facility in conjunction with Vanderbilt staff. Vanderbilt's experience in its other satellite cancer centers in conjunction with the hospital and medical communities in Franklin and Clarksville has proven to be effective. Both Vanderbilt and Maury Regional and their physicians are committed to the TennCare program. Ms. Weaver seconded the motion. The motion CARRIED [11-0-0]. **APPROVED**

AYE: Jordan, Wright, Burns, Johnson, Lammert, Handorf, Gaither, Weaver, Southwick, Jones,
Koella
NAY: None

Coffee County Hospital Group dba Medical Center of Manchester - (Manchester, Coffee County) - Project No. CN1012-054

The increase of magnetic resonance imaging (MRI) services from a two (2) day per week mobile service to a fixed site MRI scanner. The facility plans to renovate space within the Medical Center of Manchester Pavilion and move MRI services across the street to 482 Interstate Drive, Manchester (Coffee County), TN. There will be interior renovation for the project within the Pavilion of approximately 1,680 square feet. This project was originally approved under Certificate of Need, CN0607-049AE, but expired prior to implementation. Project Cost \$1,443,014.00.

Bobby Couch, Chief Executive Officer, was present on behalf of the project.

Mr. Lammert moved for approval of the project based on Ms. Hill's presentation: 1) Need . The project was 80% complete with the MRI installed in November. The Department of Health inspection was not able to be scheduled prior to the expiration date of the CON. This is the only provider in the service area without a full-time MRI; 2) Financial Feasibility . The project has been funded from cash from operations to date. The completion will be funded by cash reserves, ongoing operating funds and a leasing agreement with Toshiba for the MRI equipment. It is more economical for the hospital to move to a fixed MRI than add additional days to the mobile MRI service; and 3) Contribution to the Orderly Development of Healthcare . This is a small 25-bed critical access hospital without access to a full-time MRI. The hospital followed an orderly progression when instituting the MRI service by first requesting a one day a week service and then progressing to two days. The hospital is a TennCare provider. Ms. Burns seconded the motion. The motion CARRIED [11-0-0]. **APPROVED**

AYE: Jordan, Wright, Burns, Johnson, Lammert, Handorf, Gaither, Weaver, Southwick, Jones,
Koella
NAY: None

CERTIFICATE OF NEED APPLICATIONS

Mark Farber summarized the following CON applications:

New Life Surgical Center, PLLC - (Franklin, Williamson County) - Project No. CN1009-043

The establishment of a single specialty ambulatory surgical treatment center (ASTC) providing only manipulation under anesthesia (MUA) services. The new ASTC will be housed in an existing office building. The application will provide only MUA services with no actual surgical procedures being performed. There are no beds and other major medical equipment and no other health services provided. Project Cost \$503,000.00.

David S. Ewing, Esq., representing the applicant, addressed the Agency. Morgan Moore, M.D. spoke on behalf of the project.

Speaking in opposition were Graham Baker, Jr., Esq., representing MUA of Middle Tennessee, LLC and Terry Totty, D.C., MUA of Middle Tennessee, LLC.

Mr. Ewing rebutted.

Mr. Baker provided summation for the opposition.

Mr. Ewing provided summation for the applicant.

Mr. Johnson moved for approval of the project based on: 1) Need . The need is there as best we can determine, based on not only this, but other applications; 2) Economic Feasibility . The project's economic factors have been established in terms of financing; and 3) The project does contribute to the orderly development of adequate and effective health care. Dr. Handorf seconded the motion. The motion CARRIED [8-2-1]. **APPROVED**

AYE: Jordan, Wright, Burns, Johnson, Handorf, Weaver, Jones, Koella

NAY: Lammert, Southwick

ABSTAINED: Gaither

Heritage Medical Associates, P.C. - (Nashville, Davidson County) - Project No. CN1011-051

The initiation of magnetic resonance imaging (MRI) services. The MRI equipment and space will be block leased on a part-time basis for 24 hours per week from Specialty MRI, an existing licensed outpatient diagnostic center providing breast MRI services. The proposed MRI service will be limited to the use of Heritage Medical Associates (HMA) physicians during the time HMA utilizes the MRI. The MRI will continue to be limited to scans of the breast during the time Specialty MRI utilizes the MRI, but will be used for scans of other anatomies when HMA is utilizing the MRI. No other services will be initiated, discontinued or affected. Heritage Medical Associates, P.C. is a private practice and no licensure is required for this service. Project Cost \$1,430,010.00.

Jerry W. Taylor, Esq., representing the applicant, addressed the Agency. Speaking on behalf of the project were: Mark Grasela, CEO, Heritage Medical Associates; and Keith Radecic, CEO, Radiology Alliance, PC.

Mr. Lammert moved for approval of the project based on: 1) Need . The need for the services has been demonstrated by the current referrals made to other providers; 2) Economic Feasibility . The project's economic feasibility is met with cash reserves; and 3) The project does contribute to the orderly development of adequate and effective health care in allowing this provider to provide a more efficient manner of serving its current patients. Ms. Jordan seconded the motion. The motion CARRIED [11-0-0]. **APPROVED**

AYE: Jordan, Wright, Burns, Johnson, Lammert, Handorf, Gaither, Weaver, Southwick, Jones,
Koella
NAY: None

Good Samaritan Health and Rehabilitation Center-(Nashville, Davidson County)-Project No. CN1011-052

The addition of ten (10)* Medicare skilled nursing beds to the licensed nursing home. The beds will be housed in existing space, which will be renovated to be patient rooms. This project will increase the current licensed beds from 110 to 120. No other services will be initiated, discontinued or affected. Project Cost \$77,654.00.

WITHDRAWN

GENERAL COUNSEL'S REPORT

Jim Christoffersen summarized the following CON modification requests.

Memorial Hospital - (Chattanooga, Hamilton County) - Project No. CN0609-069A

Request for a four (4) year extension of the expiration date from February 1, 2012 to February 1, 2016 and for modifications needed to complete the project. This project was approved December 20, 2006 for: 1) An addition to the hospital to replace and expand the surgical suite, including one (1) operating room (OR) equipped with robotic surgical capability, the cardiac catheterization labs and endovascular labs [Modification--OR expansion will occur in and adjacent to the current surgery location rather than a new surgery suite in the new bed tower]; 2) The addition includes three (3) replacement medical/surgical units and three (3) intensive care units. [Modification -- the new bed tower will contain 96 med/surg beds and 20 intensive care beds with 44 intensive care beds located in renovated space in the existing hospital structure. A 30-bed observation unit (not inpatient beds) will be built on top of the existing emergency department structure instead of renovated space within the existing building]; 3) Thirty-two (32) inpatient acute care beds were approved to be relocated to Memorial Hospital (MH), from the satellite hospital, Memorial North Park Hospital (MNPH). [Modification--14 of the 32 beds have been relocated. Request to leave remaining 18 beds at MNPH and not transfer to MH increasing the number of licensed beds at MH from 322 to 336, while decreasing the number of licensed beds at Memorial Park North Hospital from 83 to 65]; 4) Major medical equipment will be acquired to open one (1) additional cardiac catheterization lab and one (1) additional endovascular lab. This project includes major medical equipment replacement for three (3) endovascular labs and one (1) magnetic resonance imaging (MRI) unit; 5) The total amount of square feet affected by the modifications are: New construction will decrease from 397,090 SF to 312,575 SF; Renovation space will decrease 130,300 SF to 43,807 SF; Total square feet will decrease from 527,390 SF to 356,382 SF for a total decrease by 171,008 SF; and 6) The project cost will increase by \$1,625,900.00 from \$293,344,100.00 to \$294,970,000.00.

DEFERRED TO THE MARCH MEETING

Ave Maria Home - (Bartlett, Shelby County) - Project No. CN0803-012A

Request for a twelve (12) month extension of the expiration date from August 1, 2011 to August 1, 2012. This project was approved on June 25, 2008 with an expiration date of August 1, 2010. The expiration date was extended on November 18, 2009 for twelve (12) months to August 1, 2011. This project was approved for the replacement of the thirty-five (35) bed east wing. The new construction will be four (4) green house homes consisting of ten (10) beds each. The 75 licensed beds will not change as a result of this project. Project Cost \$6,372,052.00.

Frank J. Gattuso, Jr., Executive Director, addressed the Agency on behalf of the request.

Mr. Southwick moved for approval of a twelve (12) month extension of the expiration date from August 1, 2011 to August 1, 2012. The applicant has demonstrated good progress and nothing has changed with the need, economic feasibility or the orderly development of health care with the project. Mr. Wright seconded the motion. The motion CARRIED [10-0-1]. **APPROVED**

AYE: Jordan, Wright, Burns, Johnson, Lammert, Gaither, Weaver, Southwick, Jones, Koella

NAY: None

ABSTAINED: Handorf

CONTESTED CASE

Mr. Christoffersen provided an update on contested cases.

LEGISLATIVE UPDATE

Mr. Christoffersen provided an update on bills pertaining to the Health Services and Development Agency including House Bill 525 and companion Senate Bill 700 which would remove the CON requirement for covered services and major medical equipment.

MINUTES

The minutes of the January 26, 2011 meeting were accepted by unanimous voice vote.

ADJOURNMENT

There being no further business, the meeting adjourned.

Melanie M. Hill, Executive Director

MMH/mab